

RR. Personal Property tax He explained the state statutes. Title 14 of statutes talks about public school funding. Equivalent of 4 mils of. No matter what we do the full and true value of the property will be reflected in the mandate. We voluntarily exempt airplanes. Even though we don't generate revenue from it, the state still sees that as revenue and it counts against them.

We presented two ordinances for consideration. 1 is temporary exemption for business inventory held for resale. Which is the same as last yrs ord. the one would amend the code to eliminate business inventory held for resale permanent. One of the things they do say is it is contingent upon having the city sales tax.

Provided financial information to them. Regarding personal property tax. That captures six years worth of information on different categories businesses and individuals report on personal property tax. The inventory on for sale or resale they can see they broke that out by fuel groceries and other. On 1-1-2006 the value of inventory of fuel was 16. the year before was 12.5 million dollars. Looking at our own fuel contracts the priced of fuel went up any where from 27 to 42 percent. Groceries has held more or less constant. The next sheet summarizes the different years. The mil rates and the assessed value that was reported by different b businesses. The inventory exemption reduced revenue for the city by 184,161 dollars. 50 % of personal property tax revenue is generated from inventory.

Stan Andersen. If they have to give them 4 mils and it takes some of that it has to be made up by some source of revenue. RR if they didn't exempt any property 4 mils of that would come in and go to school district. Since they exempt some things Listen to tape.

C. Brown. In the statutes. It said that instead of using Jan 1 number for inventory you could use an averaged number for the year. If you were to do that what number would the state use for the 4 mill valuation. RR stated 29.45.110 the states says that it may be based on an average monthly assessment rather than on Jan 1. he reads that to say they have the ability to do an either or situation. Whatever you report they will accept it as long as it is one of those two methods.

C. Pomeranz what would be the advantage.

C. Brown the advantages that have to bulk up for the winter it would be averaged it would be benefit, but those businesses that have product all year along. Then you don't play games by lowering inventory for the last part of Dec and then making it up in January.

RR provided a couple of other charts taxable sales by category fy 05 and fy 06 and another chart is sales tax to date which shows we are ahead of last year by about 4%.

Cussy explained the difference between fy 06 and fy 07. RR did the same comparison of fy06 actuals. This year we are 1.5 million above what they were last year in taxable sales which tracks about 5,000,000 .

C. Brown the budget was 3.56 was collected last year. We have 3.8 in the budget this year.

Cussy that 3.6 revenue last year is take into consideration the food sales tax holiday.

Cussy the other thing that even with fuel oil issue or sales at this juncture being through oct sales the city fuel has no where to go but up. C. Brown stated there is more fuel being sold with Alaska gold. RR we are definitely ahead of last year for sales tax.

C. Andersen stated that takes in the 640,000 in contingency.

C. Andersen we let the big guys off the little people pay on their vans. RR most vans on residential lots are real property. Most of these vans are the ones businesses store over the winter as part of their shipping operations.

C. Knodel stated at one other time you were telling

RR household

C. Andersen we are already exempting fuel right now. RR what they did this year they exempted 16.700 of business inventory which meant we did not capture. If we did away it would be what loss. RR we had the potential to generate revenue of 347,000 for fy07 for personal property tax. C. brown that is almost 2 mills. C. Brown reminded them they had the options of lowering the mill rate, but they kept it at 11 which allowed them to capture this revenue. C. brown if they gave away all personal property tax

C. Brown what is good for the business community usually good for the town.

C. Pomeranz would like to see what they did last year.

C. Brown stated his preference is to completely do away with it if they are going to do anything with personal property.

Cussy to take this thing into the month average reporting to the state's mill lag on four mill mandate. When you do that would you change your assessing time on the personal property tax. C. Brown they could report on Jan 1 but averaged over the previous 12 months. C. brown it makes sense to still report in January because you have the numbers for budget. C. brown second choice would be to do average things. C. Knodel you still have to report even if you don't pay. RR the state assessor. We could say we are exempting personal property tax and the state assessor will be happy to do that. The community your size should have so many cars, groceries, fuel and will assess a value. RR thinks they take our numbers at face value including the exemption for aircraft.

C. Knodel is there a value to eliminating the personal property tax and upping the mill rate. RR the question is. Are we saying we should not collect tax on this stuff because we want to control our spending or because things are going up higher than we can budget for. But ordinance you can put it back into place. C. Andersen if we don't have this much income we can't do the sales tax on grocers or utility.

Grocery holiday was somewhere in the 200,000 dollar range.

C. Brown the revenue source we have say over is the mill rate. 5% sales tax. We have money coming from state and the only way we fill the budget gap is the mill rate. If a big chunk of it is exempt then the mill rate would be higher than it would be if.

C. Andersen is not willing to raise the mill rate to make up the difference. C. Brown realistically because the sales tax is coming in higher we have the chance of lowering it.

If they did the utility and personal property tax totally they would be talking 10 mill rate. C. Brown if we are tracking ahead of last year now. C. Andersen

Jon his feeling about the inventory tax was that it was enacted long time before sales tax was enacted. He looks at the inventory tax and sales tax is double tax. He would like to do away with inventory tax for the next year. He is not in agreement with doing away with the entire personal property tax. He thinks if the police department went around the community on January 1 and video the.

Cussy the personal property is within the four walls not out in the yard. Jon what is in your house is not as valuable as your boat or snow machines. Cussy unless you are a landlord. Jon if you have a seven unit apartment building and you are not declaring personal property tax the city would have problem.

Bourdon was last year the first time the business inventory was exempted. RR yes.

C. Andersen what about the flat tax. RR not sure how they would implement it. C. Andersen instead of doing it January first instead of throughout the year the would only happen for inventory not equipment, etc. RR would think it is businesses throughout the year that fluctuates.

Scott stated the highest volume is after the last barge comes in

C. Brown how would an averaging affect it. Scott if it is at the highest in September if they did September first that would be high. In terms of averaging they have higher inventories in the summer for construction. It might be a little lower, but it might not be substantially lower. They have to restock in the summer to handle volumes. He is not convinced averaging inventory over 12 months will have much effect.

Scott they talked about being three to four months in fiscal and they are already up in terms of revenue. Scott stated the majority of the fuel they are delivering right now is in

town. They haven't even begun to see the increased revenues of what will happen. Scott Bonanza alone in sales tax revenue will make up the difference they gave up last year. He thinks they are just at the tip of the iceberg. Food is up. Everything is up. Why are they just talking this year. Why not permanently. So they don't have to keep coming back.

Mayor it is a tool for them to use to generate revenue. Scott if they exempt it can't they bring it back. C. Andersen over whose dead body. C. Brown once the construction moves out to rock creek, some of that sales tax will go away.

C. Brown asked what the other people have to say.

C. Pomeranz are any of them inclined to take it off complete. C. Brown is. C. Pomeranz and C. Andersen stated not inclined to do it yet, but eventually they could.

Mark Johnson it seems like a couple of council members have mentioned it appears to be double tax and unfair to businesses. If this is the case why does the city use this as method of collecting revenue.

RR sales tax is on separate transactions. Property tax is not transaction at that point.

C. Brown talked about double taxation and triple taxation.

C. Andersen clarified what business inventory for resale is. RR explained. He talked about the two ordinance drafts.

C. Pomeranz it makes sense to eliminate all together on business inventory for resale. As long as they limiting for inventory for resale they might as well get rid of it.

1% exemption on utilities

RR last year we enacted an ordinance that exempted 1% of sales tax on utility service. If they are interested to continue

C. Knodel and C. Brown let it sunset. He would rather roll that 66,000 into a sales tax exemption on food if they determine there is too much money in the coffers in January.

C. Pomeranz agrees with Andersen.

NSEDC community benefit share.

RR this was discussed briefly on Monday. H provided the contribution that NSEDC has made over the past five years and what they have spent this money on.

C, Andersen would like to go to the pool, but if they don't get Denali commission funds what will they do. RR they will scale back on the project. Jon could the say either or .

C. Knodel what about things they put on the priority list. They have put equipment down and they haven't gotten any equipment money and they have talked about rec center roof. They need to replace a fire engine. RR stated 100,000 would not go a long way.

c. Brown skating rink. To do some sort of alternative energy pilot project. Solar rays on elementary school. Solar hot water panels at high school on top of cafeteria.

Cussy they have all seemed to forget the cemetery.

C. Pomeranz Jerald's ideas are good, but they need to address their needs.

C. Bourdon what are the life saving facility . RR used it as operating cost offset..

There was talk about equipment.

RR they have a n equipment replacement fund in place.

c. Pomeranz likes pool idea and would like more information that the salt system. Jon suggested talking about this at the legislative priorities meeting.

Mitch stated the high school is in dire need of an outside track ball field area. He would be willing to support the life saving facility if 10k,000 would go to the boys and girls club to have tickets to go there. If they earmarked some of these funds to let all of the community use it. C. Knodel suggested they call Camp office. They have grants up to 15,000 a year. Easy to fill out.

Refunding of school bonds.

RR the Alaska municipal bond bank is in the process of doing a bond refunding package. It is a fairly complicated arrangement. Right now the bond bank the city of Nome has the ability to participate in 200 E bonds to do the first part of renovation at high school they are proceeding to refunding packet because it meets certain criteria. The city of Nome at the end of the day they would save 65,000 in the life time of the bond. In order fo them to do this would hired bond attorney and pass a resolution by jan 1 and say they are interested in participating. They can opt out of it if the decide it is not worth it. It meets their criteria to save money and reduce costs.

The reason it works is because when they sold the bonds they wer at 5.

Devon suggested they take these and try to get them debt reimbursed.

C. Pomeranz it seems like a no brainer..

C. Andersen where do we sit on our long term money investment. Cussy AML and RR a lot of it went into to projects we purchased.

8:23 p.m.